

1 about environmental issues that affect community  
2 development.

3 And finally, moving on, HUD Neighborhood Network  
4 Centers. HUD does not provide -- these are programs under  
5 the Department of Housing and Urban Development. HUD does  
6 not fund these centers directly. They are primarily based  
7 on community-based funding; currently are located in multi-  
8 family housing properties.

9 And I just want to give maybe three brief examples  
10 of sample benefits and programs. For seniors, I visited  
11 about five senior centers over the last few days. And I  
12 talked to the seniors. They are very excited about getting  
13 on-line. Access to e-mail, they can communicate with family  
14 and friends all over the country and all over the world,  
15 getting home town news on line. They don't have to pay for  
16 a newspaper and having it delivered.

17 Medical information, pharmaceutical information.  
18 One of the things that someone mentioned to me is that it is  
19 important to have on-line access to give you something to do  
20 when you have a lot of free time. It helps alleviate  
21 depression. So there are very tangible benefits that can  
22 accrue from this technology for seniors.

23 Low income families can obtain training and job  
24 skills and employment opportunities. Welfare to Work is an  
25 example of the way that this technology is being used. And

1     there are examples of people who have moved from welfare to  
2     work coming out of these community access centers.

3             And finally, children's programs. And I would  
4     like to use the example of Twin Park Plaza north, a really -  
5     - a number of really exciting programs that are going on in  
6     the Overtown area, very near downtown Miami. Chris Smith is  
7     the coordinator of programs there. He is here in the room.  
8     And they are just doing a number of exciting things. After-  
9     school programs on reading, math, science and art, all using  
10    this technology.

11            Health, education and awareness. There are very  
12    high incidents of asthma, diabetes, hypertension in the  
13    Overtown community in the Town Park Plaza North. And they  
14    are trying to educate the young people on these issues. And  
15    finally --

16            CHAIRWOMAN DIXON: Twenty seconds.

17            DR. HADLEY: Okay. It provides -- basically, they  
18    are providing an alternative for young people in that  
19    community, the low income community, positive activity and  
20    training, opportunity to work on homework, participate in  
21    tutoring and mentoring. And computer and internet  
22    technology is integrated into all of these projects.

23            And, you know, why is advanced services relevant  
24    for them? Well, they have recently obtained DSL access.  
25    They are going to be using that to get on-line and to

1 produce their own information on-line. So they are -- they  
2 do need broad band access. They can use it. They have a  
3 lot of plans for the future. So --

4 CHAIRWOMAN DIXON: Time.

5 DR. HADLEY: So thank you.

6 CHAIRMAN DIXON: Thank you so much. William Ray,  
7 Glasgow Kentucky Story.

8 MR. RAY: Thank you, Chairman. I will use my  
9 seven minutes to do a simple thing. I am going to tell you  
10 a story, a true story about a community that has -- it is  
11 definitely rural that has rolled out advanced broad band  
12 services. I am going to explain why that model is easily  
13 replicable and what the FCC can do to make sure that that  
14 model is replicated.

15 Glasgow is a community of 13,000 people that all  
16 talk just about like this. It is halfway between Nashville,  
17 Tennessee and Louisville, Kentucky. It is one of the 2,000  
18 cities across the country that owns its own municipally  
19 operated utility.

20 In the 1950s, these people of Glasgow were  
21 unhappy. And I hope you will see a parallel here. They  
22 were unhappy with their electric services that they got from  
23 a private electric provider. They thought it was too  
24 expensive and the people that operated it didn't care enough  
25 about the community. So they chose up sides and had a vote

1 and kicked them out of town and decided to operate their own  
2 electric utility and have been doing that since 1962.

3 A few years later in 1986, those same unhappy  
4 people started looking at their cable operator. And they  
5 were unhappy with the rates that the cable operator charged  
6 and the service they provided. And they looked at their  
7 electric utility and say, you know, you seem to have that  
8 electricity thing whipped; what could you do with the cable.  
9 And we said, well, we looked at the people that were  
10 operating the cable system. And they didn't look like  
11 genetically superior beings to us.

12 So we figured how hard can it be. And we went out  
13 and bought 120 miles of fiber and coax and built a broad  
14 band network to touch every home and business in the city of  
15 Glasgow. We put cable TV on that system. And we decided  
16 that we would charge rates that were cost-based rates, not  
17 market rates. And we decided that we could put a 54-channel  
18 package on for about \$13.00 a month.

19 And the incumbent cable operator, as you might  
20 expect, was charging more than that. But as we rolled out  
21 our service, amazingly they not only met our price. They  
22 lowered it to \$5.95 a month which we thought was pretty  
23 amazing. And the people of Glasgow considered it to be just  
24 a wonderful chain of events even though we didn't quite get  
25 our penetration for cable that we thought we needed to make

1 the \$13.00 break even for a while. Still, the people of  
2 Glasgow were happy with their option for \$13.00 or \$5.95.

3 As time rolled on and we learned more about the  
4 cable business, we began to pick up market share. You know,  
5 the cable operator did lower the rates, but they still  
6 didn't make their product any better and they still didn't  
7 offer the kind of service that we felt like we could  
8 deliver. And they didn't offer the kind of programming.

9 I mean, we went out and offered local origination  
10 programming. We did some popular things. In fact, the most  
11 popular programming in Glasgow, Kentucky is on actually this  
12 afternoon. I will miss it today. But we do live district  
13 small claims court which I don't know about everywhere else  
14 in the country, but, you know, in Glasgow when you can see  
15 your neighbor sue her mamma, that is highly attractive  
16 programming.

17 (Laughter.)

18 Now, we were in the cable business and we got a  
19 lot of attention doing cable TV. And the attention caused  
20 us to get a lot of print. The Glasgow project gets a lot of  
21 ink. And that caused other vendors of technologies to call  
22 on us and ask us if we wanted to do other things. We had a  
23 company call and ask us if we wanted to add telephone  
24 service to our broad band network. And we looked at GTE and  
25 said, well, you know, the cable operator is so much fun to

1 deal with, maybe GTE would make it a real party here.

2 So we said, sure, we will go in the telephone  
3 business. And after we were in the phone business for a  
4 while, we got a nice invitation from a fellow names Vinton  
5 Surf who I had never heard of at the time -- but it turns  
6 out he invented the internet or something like -- that  
7 wanted to add high speed internet access to our project.  
8 And we, again, said sure.

9 And we put high speed internet access on our  
10 system. And we offer four-megabit-per-second internet  
11 service to everybody in town for \$12.00 a month. It had to  
12 be unlimited because we still haven't figured out any way to  
13 measure it or anything like that. So it is unlimited. And  
14 it is \$12.00 a month.

15 Now, a community of 13,000 people in south central  
16 Kentucky didn't have a pent-up demand for internet service.  
17 They weren't clamoring for faster internet service. When we  
18 put it in 1995, nobody had seen the internet including me.  
19 Today, we've got about 30 percent of the people in that  
20 community that have high speed internet service and it is  
21 growing every day. And it is still \$12.00 a month. Our  
22 cable service has gone up a little bit. It is now \$16.00 a  
23 month for 55 channels of cable TV.

24 Now, those are eye-opening rates. And those are  
25 the kind of rates that fall under what I would call

1 democratizing this technology. It is made cheap and  
2 available to all. Other cities want to do this.

3 But in response to that instead of just lowering  
4 their rates and providing better product, the cable  
5 operators and the phone companies have gone to the state  
6 legislatures and have gone to the state public service  
7 commissions and they have whined that these cities, they are  
8 picking on us. You know, we need laws and we need some way  
9 to stop these guys; we just made 25 million dollars last  
10 year and we need protection from these cities.

11 Many -- in fact, in eight states, they have been -  
12 - they have gotten the legislature to pass laws saying  
13 cities can't do that. Commissioner Tristani, the FCC has  
14 the power through the '96 Act -- and I know it is in there  
15 because I have testified at every opportunity when that Act  
16 was being considered and I got it in the record -- that the  
17 entities that might provide competition include  
18 municipalities.

19 And there is nothing more needed and nothing that  
20 would have more of an instantaneous effect on getting this  
21 technology democratized than for you all to get out your big  
22 hammer and smash some of those laws. You have got an  
23 opportunity right now. The Missouri law is in front of you  
24 right now. The cities in Missouri want the phone company to  
25 go away and get rid of that law that says they can't be in

1 the business so they can deliver these services.

2 You could really help by getting out your pen with  
3 your other commissioners and using that power to strike down  
4 that state law. It would make a lasting impact on the  
5 democratization of this technology. And I really hope that  
6 you will use that federal power.

7 You know, there are some opportunities when the  
8 Federal Government should be the strongest power out there.  
9 Resisting stepping on these state laws because you don't  
10 want to interfere with the sovereign rights of states, you  
11 know, if that philosophy had been intact 150 years ago, we  
12 would still have slavery in this country. There are some  
13 things that the Federal Government should do.

14 When I go to a ball game, I want the umpire to be  
15 the strongest force there. And in this playing field, I  
16 believe the Federal Government should be the strongest force  
17 there. So I don't know if my time is up yet, but that is  
18 what I want -- that is the message I wanted to give.

19 CHAIRWOMAN DIXON: It is, Ray. Thank you so much.

20 (Applause.)

21 CHAIRWOMAN DIXON: I think they are asking you for  
22 military action. Next we have the Spanish search engines --

23 MR. VANYI-ROBIN: Yes, good morning.

24 CHAIRWOMAN DIXON: -- with Andre Vanyi-Robin.

25 MR. VANYI-ROBIN: This morning as I was driving



1 over here on the causeway, 395, I blacked out. I thought to  
2 myself where am I; am I on my way to Toluca from Mexico  
3 City; am I on my way outside of Caracas; am I on my way  
4 outside of St. Paulo. I completely blacked out. And then I  
5 saw the sign, Miami Beach. Oh, fabulous. I am on the right  
6 track. So I am coming here.

7 The reason I say this and the reason I am starting  
8 this way is because I am in Latin America. Although  
9 VisualCom is a company based in Miami which many of us are  
10 promoting south Florida as the capital of Latin American  
11 technology, it doesn't happen if you are here. You have to  
12 implicate yourself in each country. You have to have a  
13 multi-domestic approach.

14 So when you want to sell your services to a multi-  
15 cultural environment, you have to go to them. You have to  
16 work there. You have to eventually risk blacking out in  
17 Miami Beach ultimately.

18 So what I want to talk briefly about this morning  
19 are the Spanish portals in Latin America because they really  
20 are an exquisite example of how to do that. In 1995, if  
21 most of you remember, this was the big boom in the United  
22 States of ten million internet users on line.

23 And then Amazon came to the forefront. Netscape  
24 had a fabulous IPO, so on and so forth. And then the  
25 companies in the United States decided to penetrate and to

1     implicate themselves in Latin America.

2             And if we could go to the slide of these companies  
3     in Latin America, we are looking at companies that have no  
4     market share. We are looking at no market, zero users in  
5     1995 in Latin America, zero users. So what do they do?  
6     They have to build it. They have to go down there. They  
7     have to build the relationships.

8             So then when we are looking in 1999 at what the  
9     companies are, we are looking at StarMedia. We are looking  
10    at Yupi who are fabulous pen original efforts to bring the  
11    internet to people who never knew what the internet was.  
12    And we have to remember that of the 520 million Latin  
13    Americans, 60 percent of them live in abject poverty. I  
14    cannot think of a best example to try to bridge that digital  
15    divide in Latin America.

16            Now, the company, Que Pasa, were leaders in 1999  
17    to bridge this digital divide or to target a Hispanic  
18    population in the United States. And they are leaders at  
19    that. And very important to know is that these companies  
20    build what we call a market share. They spend lots and lots  
21    and lots of funds on marketing, on building mind share, on  
22    letting people know and educating them what it takes and how  
23    their lives can be transformed by the technology.

24            Now, the gist of it is or the caveat is are they  
25    going to be continuing in this leadership position. I don't

1 want to answer that question. But I want to invite all of  
2 you to think about is -- what does it take to be successful  
3 building a business by targeting multi-cultural  
4 environments.

5 And if we go into 2,000 portals, we will see that  
6 the panorama has changed. And the panorama will continue to  
7 change. We are looking no longer at basically pan-regional  
8 leadership. We are looking at global portals, the towers of  
9 the world backed by a tremendous amount of funds. Yet at  
10 the same time, we are looking at Mexican portals, Tordito,  
11 is the brick and mortar -- has brick and mortar backing and  
12 is by Mexicans, for Mexicans.

13 If they are able to pan-regionalize, perfect for  
14 them. But they are a business model, a cash flowing  
15 business model and is not built on this pan-regional  
16 approach. It is built on tending to the necessities of  
17 Mexicans on-line.

18 It is very important to understand that in this  
19 multi-domestic approach in Latin America, the future is not  
20 only being down there, but also building values, building  
21 services that are for that community. Any approach to try  
22 to pan-regionalize other than economics -- of course, a pan-  
23 regional approach will provide you good economies of scale.  
24 That is the good reason. But the bad reason is trying to  
25 provide all the necessary services to Latin Americans pan-

1 regionally.

2           You have to be down there. You have to implicate  
3 yourself. And Tordito is an excellent example of that. And  
4 it is a Mexican portal for Mexicans. So those who can  
5 survive are the big, big budgets that we will have such as  
6 Tara or even AOL going down there, the ability to acquire or  
7 to partner with communities that are tending to the needs.

8           Now, the gist of it is that this 60 percent of the  
9 population of Latin America will probably not be 60 percent  
10 over the course of the next decade. You will see definitely  
11 as the technology permits and many examples are -- have been  
12 forwarded to you today -- ways to transform that 60 percent  
13 into maybe 40 percent and maybe even 30 percent. I want to  
14 be utopiistic and go to zero percent.

15           But there is a tremendous amount of cash flow to  
16 be made in multi-cultural communities. It is just a  
17 question of implying -- implicating yourself and using other  
18 models that have worked successfully in Latin America. And  
19 that is the message that I definitely want to convey this  
20 morning. Thank you.

21           CHAIRWOMAN DIXON: Thank you so much. I think we  
22 had a good panel this morning.

23           (Applause.)

24           CHAIRWOMAN DIXON: Thought-provoking and exciting.  
25 I will straighten out one thing for you, Joe. I think they

1 thought you were having charter school grants in Florida.  
2 And I think that is what they wanted you to touch on. But  
3 it is obvious that you and Andre had some divine  
4 interventional experiences this morning. At some point, you  
5 can share them with us at lunch.

6 Our question is what, if any, special efforts are  
7 being made to make internet access available in urban  
8 minority communities? And what challenges do you see? But  
9 before you answer that standard question, Dr. Hadley, could  
10 you explain a little bit about I think you called it  
11 something tech. It was something tech. that you were  
12 working with police. And I got on that and I --

13 DR. HADLEY: C-tech.

14 CHAIRWOMAN DIXON: C-tech, what is that exactly?  
15 And then we can go to the next question. Thank you.

16 DR. HADLEY: The Department of Justice -- the  
17 initial Department of Justice law program to engage in law  
18 enforcement, community policing was -- is called Weed and  
19 Seed. And the Weed and Seed Program partnered with the  
20 Urban Technology Center to try to plant these technology  
21 centers in these weed and seed communities.

22 So what they did is in addition to the other  
23 projects that they were doing, they said why don't -- you  
24 know, they decided to try to put technology centers in and  
25 that that would be a tool to enhance the overall process of

1     what they were doing.

2             CHAIRWOMAN DIXON: Like maybe nonprofit community  
3     centers like YMCAs, like Girls Clubs and Boys Clubs, stuff  
4     like that?

5             DR. HADLEY: Right. My understanding is that in  
6     some cases, the Department of Justice worked with other  
7     organizations to create a seed -- to create a center where  
8     the technology would be provided. In Liberty City, the  
9     center is at the Bellafonte Teloce Center.

10            CHAIRWOMAN DIXON: Okay.

11            DR. HADLEY: So it was an existing center that had  
12     a Weed and Seed Program. And they just put the technology  
13     center there. Starting out with a very comprehensive  
14     community needs, they had a community summit on what the  
15     community needed and how technology could be used to help  
16     satisfy those needs.

17            CHAIRWOMAN DIXON: I heard Commissioner Johnson  
18     say that sometimes libraries are not in people's communities  
19     or are too far from them or there is no library accessible  
20     to them. Are there any after-school programs spinning off  
21     from some of these technology programs that you have?

22            DR. HADLEY: Actually, the after-school programs  
23     aren't necessarily spinning off. In the Town Park Plaza  
24     North Neighborhood Network Center that I mentioned -- and  
25     the coordinator of the program is here, Chris Smith -- they

1 have an after-school project that actually the kids leave  
2 their school and come across the street.

3 And they have a whole unit, one of the units in  
4 the property that has downstairs and upstairs computers.  
5 Students are doing homework. There is educational software,  
6 a Jump Start and some other software, educational -- you  
7 know, educational games.

8 I was there earlier this week and, you know, he  
9 has students, you know, engaged in all kinds of projects all  
10 over the house. And it is an amazing -- you know, an  
11 excellent program, giving students an -- children an --  
12 young people an opportunity to do something when if that  
13 program did not exist, they might just be hanging out doing  
14 nothing. So there are a number -- that is a key component  
15 of a number of these community access centers.

16 CHAIRWOMAN DIXON: Yes, they will get in trouble.  
17 One more thing. How are you getting these centers wired and  
18 how are you getting equipment facilitated in them?

19 DR. HADLEY: In talking to the coordinators of the  
20 centers, it is everyone has their own strategy in terms of  
21 getting equipment. Some have donated equipment. Some are -  
22 - have funds and are able to purchase equipment on their  
23 own. A number of the community access centers have  
24 partnerships with various corporations. So it really ranges  
25 across -- ranges across the gamut.

1           In terms of access, I have only looked at urban  
2       centers. I haven't looked at rural centers. But most of  
3       them are getting access from, you know, major, major telcos  
4       or internet service providers.

5           CHAIRWOMAN DIXON: I am interested in internet  
6       capability, not only in urban areas, but in rural areas, as  
7       well.

8           COMMISSIONER TRISTANI: Could I interrupt  
9       because --

10          CHAIRWOMAN DIXON: Sure.

11          COMMISSIONER TRISTANI: Let me start by saying  
12       that my 82-year-old mother-in-law learned to use the  
13       internet in her senior center in Albuquerque, New Mexico.  
14       And let me explain. My mother-in-law lives in a small  
15       apartment, a two-room apartment. She is on social security  
16       and her late husband's very modest pension. So it is the  
17       only way she could have taken the lessons.

18          Now, since then, her children -- her three  
19       children have bought her a computer. And she is now e-  
20       mailing us -- well, all the family, but us in Washington in  
21       particular because her youngest grandchild, my son, Jorge  
22       who is seven, lives in Washington. And that is how they  
23       communicate. And they send each other greeting cards.

24          So I think it is wonderful to have senior centers,  
25       community access centers, everything you have been talking



1 about for those Americans who can't afford to see it or have  
2 it first at home, for those Americans who may live alone and  
3 have no other way. So I think that is all great.

4 But one concern that I have is that if we just  
5 focus on community access centers as being the place where  
6 they will have access, are we going to say that is enough  
7 for that population of America? And are we not going to go  
8 the extra step which should be, well, maybe we start them  
9 out at the community access center, but then we have to  
10 figure out how they can have it at the home.

11 Because one of the things that I have seen at my  
12 local library in Bethesda, Maryland is that you only have a  
13 certain amount of minutes that you can use the internet.  
14 And there are usually people standing in line. So I don't  
15 know if any of you could address that. I mean, how do we  
16 stress the community access, but not lose sight of the  
17 obligation that all Americans should have this access?

18 DR. HADLEY: I will touch on that very quickly.  
19 And it is an excellent point. One example is I talked about  
20 the Seed Tech. -- Weed and Seed Center in Liberty City.  
21 They have five -- what will soon be five labs around the  
22 Liberty City area. And people can come to those centers and  
23 learn technology and learn the computer.

24 One of the side programs that they had is they  
25 received 400 computers donated from the Department of

1 Justice. And they have a youth leadership academy where  
2 students come in. They learn how to do web design. They  
3 learn other kinds of programs. When those students  
4 graduate, they will get one of those donated computers given  
5 to them so that they can take it home.

6 So that is one approach. In the elderly  
7 communities when I was in a number of the senior centers  
8 over the weekend, they would first take classes in the  
9 central location. And what would often happen is that their  
10 children -- once they got accustomed to using e-mail, their  
11 children would buy them a computer or something like that.

12 So that is something that happens. As people use  
13 it, they get more of a demand, also -- a demand for it on a  
14 more regular basis. Also, what happened is some of the --  
15 one of the low income family housing projects or family  
16 housing properties is that as people got the training, they  
17 then were able to, you know, move out, get jobs, increase  
18 their income and, you know, then ultimately get their own  
19 computer.

20 Now, that doesn't deal with, you know, subsidy  
21 issues. And that is something that, obviously, would be  
22 important. And I know that there are a number of federal  
23 initiatives and other initiatives to try to support more  
24 improved household access. But there are some efforts to  
25 try to -- once people have the skills, then provide them

1 with opportunities to obtain computers at home. That is a  
2 fundamental issue.

3 MS. JOHNSON: Can I follow up on that, Madam  
4 Chair? And to your question to is it enough, I don't know  
5 if it is enough. But I know it is a start. And I think  
6 that would be a good place to start in that what I am  
7 finding is when we look at some of these community access  
8 centers, it does a lot of things in the first instance.

9 One, when we focus on a community access center,  
10 one of the first questions is is there connectivity; is the  
11 infrastructure in place. So it focuses the businesses and  
12 the policy-makers on looking at some of those issues.  
13 Secondly, oftentimes the population that you are trying  
14 to reach, they need those centers to get the training that  
15 they would need to learn how to use those computers that  
16 they can then have in their homes.

17 So we are finding that that is a good place for  
18 them to go because if they were to just have the computers  
19 or the access at home and not have the instructors there to  
20 teach them, then that might be problematic. Thirdly, these  
21 community access centers, in addition to serving as centers  
22 for learning, they begin to become E-commerce hubs. So that  
23 you have other companies, whether it is banks, whether it is  
24 shops, that are now focusing and understanding, too, the  
25 value of serving those communities.

1           But to your question, I think that is still only a  
2   start. But I think it is a good place to start in that I  
3   wouldn't propose in the first instance modeling an  
4   additional universal type program on the deployment of  
5   advanced technology at this time; that we try to make this  
6   first step and see how that works. But always let the  
7   providers know if there is market failure and if communities  
8   are not being served. Then the government's role is to  
9   intervene.

10           CHAIRWOMAN DIXON: Go right ahead.

11           MR. VANYI-ROBIN: In Latin America in '95, as  
12   there were zero users or 300,000 in the government  
13   environment, today we are talking in excess of ten million -  
14   - between ten and 15 million. Very interestingly is that  
15   the understanding of the business concepts are what the  
16   internet really is is crucial. And the government can play  
17   an important role in educating, for example, in the United  
18   States on how to use the technology. But businesses  
19   understanding how the internet works and creating profitable  
20   business models can help.

21           For example, in Mexico, TelMex, Carlos Lemes'  
22   company, partnered with Acer Computers to provide a computer  
23   with every internet -- with every phone line. The concept  
24   of having them pay through the phone bill was an attractive  
25   one because if they don't pay the phone bill, then they are

1 going to release or eliminate a very important component of  
2 their daily lives.

3 And then you are looking at a much more pervasive  
4 approach to an internet population because many more people  
5 have phones than would normally have computers. And the  
6 business model is one of aggregating demand. It is one of  
7 having people connected to your company, to your source of  
8 information, and then figuring out how to create a market  
9 off of that. And we can call it a digital market if we  
10 like.

11 And the concept of having a telephone company do  
12 that is that not only do they have already telephone access,  
13 but now they have computers. They owe the telephone company  
14 or the joint venture between the telephone company and the  
15 computer company cash. So they know that at least they are  
16 going to have that customer for three or four years. And  
17 then all sorts of possible revenue models can be built  
18 around these communities.

19 This is how in Latin America it is growing rapidly  
20 and bundling. Free internet access is another way of doing  
21 it because the reality is the commodity is not providing  
22 access in Latin America, but it is actually capturing that  
23 component of demand. And using these business models  
24 coupled with the extensive efforts of training and in these  
25 communities letting them know what the power of internet is,

1 they have dollars. They have currency. And it is just a  
2 question of figuring out how to extract that currency to  
3 provide them services in exchange.

4 COMMISSIONER PERLMAN: I am really guessing that  
5 we can generalize across all these panelists, this is really  
6 about creating demand in communities that may not have  
7 demand. So I am just wondering, are there lessons to be  
8 learned from the community access center from Glasgow and  
9 maybe from the Latin America example and others about how we  
10 -- how government can play a role in aggregating demand. I  
11 mean, what have we done in Florida to bring government into  
12 the private sector together perhaps in the community access  
13 models or in other models.

14 MS. JOHNSON: I guess I have two responses to that  
15 question. And one goes to a point that Dr. Hadley raised  
16 that as regulators and policy-makers, I think we should pay  
17 close attention to. And that is we helped create the demand  
18 by doing the informationals and the awareness aspect.

19 I remember when we started as regulators wearing  
20 the hat of information-provider as opposed to focusing just  
21 on economic regulation. And we started getting to those  
22 consumer protection-type campaigns. And we were a little  
23 uncomfortable with that at first because that was a new  
24 role.

25 I think in this regard, both from the state and

1 federal level, particularly with the richness of the  
2 diversity on the FCC as well as within these state  
3 commissions, having these same type public awareness  
4 campaigns where you let people know the power of the  
5 internet and where you let them know even maybe on the FCC  
6 websites or state websites where community access centers  
7 are.

8 And with that, you draw in the people. And with  
9 the people, you draw in the demand. And when you draw in  
10 the demand, the guys that make the money off this will  
11 follow. So I think that would be a very, very important  
12 thing that we should not take very lightly and that we  
13 should kind of add to our policy of deploying this advanced  
14 technology that regulators and policy-makers can play a  
15 special role there.

16 In the state of Florida, Governor Bush has been  
17 very, very interested in allowing the private sector to lead  
18 and that government simply services as a catalyst to bring  
19 those people together and bring those companies together and  
20 encourage those public-private partnerships to the extent  
21 that they can be developed, letting them know that in the  
22 first instance, they can control their own destiny and that  
23 government will not intervene if they are taking the actions  
24 necessary to reach those populations.

25 But standing back is government saying but if you

1 don't, you know, we have given you your one shot. That is  
2 why I am encouraged to see the wireless providers talk about  
3 the innovation and the investments they are making, the  
4 companies like MetroCom that are coming forward with  
5 wireless broad band solutions.

6 So we want to encourage that, we want to find  
7 out -- an early question that I think Commissioner --  
8 Chairman Dixon raised but it wasn't even answered in the  
9 earlier panel, what are the regulatory barriers. I think  
10 understanding those so we can get those out of the way to  
11 help these companies deploy would be a good thing.

12 MR. LACHER: If I could add on to that, I think  
13 the role of government is not to regulate, but to encourage  
14 and motivate and prod those of us in the industry to move  
15 forward. Peter Hubert coined a phrase about geodesic  
16 networks. And I think that the challenge here is not  
17 whether you do community centers. That's -- we tend to  
18 think linear and what we need to do is think of a whole  
19 broad range of applications, of issues.

20 The Weed and Seed Program came out from a concept  
21 from the Department of Justice. If we could weed out the  
22 bad elements and seed the community with opportunities to  
23 develop, we will reduce crime. That is a wonderful  
24 application. What has come as technology has begun to  
25 enhance and add onto that.



1           We worked with the Attorney General on a program  
2   to stop consumer telecom fraud. That has led to some  
3   applications in teaching for seniors on how to use the  
4   internet for applications. InterMedia first approached Bell  
5   South about the idea of Net Bay. And that program expanded  
6   dramatically and the industry moved forward on their own  
7   program once -- with the encouragement of government. And I  
8   recall going with InterMedia and other players to address  
9   the Commission on what we were doing in that environment.

10           What we need is a vehicle where we have the  
11   ability to encourage these applications and the market takes  
12   place -- takes care of itself. Once customers irrespective  
13   of economic conditions understand how this can help their  
14   lives, they look for it. And the market conditions will  
15   drive people to match a \$5.95 rate or whatever is necessary  
16   to meet in the marketplace. And I see that as going -- the  
17   role of government in Florida has been very encouraging in  
18   helping with that expansion.

19           CHAIRWOMAN DIXON: Could I --

20           COMMISSIONER TRISTANI: We wanted to get some  
21   comments since he mentioned Glasgow on that one. I wanted  
22   to ask -- you know, I would like to hear your comments. But  
23   I think I heard you say \$13.00 a month or \$12.00 a month for  
24   high speed internet access. I would like to hear more about  
25   that. But I also would like to hear from the other

1 panelists why can't that be replicated elsewhere.

2 CHAIRWOMAN DIXON: It's \$15.00 now. But go ahead.

3 COMMISSIONER TRISTANI: For high speed -- and I  
4 heard high speed which is --

5 MR. RAY: Well, I would like to hear why it can't  
6 be -- I am looking forward to those answers. I won't take  
7 long. I only have one response and it is the same point I  
8 made earlier. Release the municipalities to do what the  
9 private sector won't do. That is -- how do you get it from  
10 the community centers to the home? Twelve bucks a month  
11 gets it to the home.

12 The cities are clamoring to do this. Their  
13 citizens are clamoring for the cities to do it. The only  
14 thing standing in the way is Bell South and the other  
15 telephone companies that have gone to the state legislatures  
16 and gotten these regressive laws passed. You can strike  
17 those down.

18 CHAIRWOMAN SANFORD: Billy, would you speak as a  
19 follow-up to Gloria's question? Would you speak to the  
20 challenge that is posed to municipal solutions which exist  
21 in the form of the claim that there is a government subsidy  
22 that is unfair to private industry --

23 MR. RAY: Well --

24 CHAIRWOMAN SANFORD: -- before Joe speaks to it  
25 which he appears to be?

1 MR. RAY: Yes, I'm sure he will. The challenge is  
2 striking down that fallacy. Now, the only subsidy is that,  
3 you know, a government is what -- you know, a government is  
4 a government. It is a tax-exempt entity that does things,  
5 you know, on behalf of citizens that they can't do for  
6 themselves.

7 Subsidy, you know, nobody is giving us any federal  
8 money. You know, Billy Tolsin hadn't passed any kind of an  
9 act to give us any money to do -- to roll these services out  
10 to rural areas. You know, we have --

11 CHAIRWOMAN DIXON: Have you done bonds?

12 MR. RAY: Do what?

13 CHAIRWOMAN DIXON: Have you sold bonds?

14 MR. RAY: Oh, sure. Yes. We sold bonds and we  
15 are making payments back on them from the revenue that we  
16 get from the \$12.00 a month internet service and the \$15.00  
17 or \$16.00 cable TV. And it is breaking even. It took it a  
18 long time. I mean, we -- this thing didn't -- you know, it  
19 is not magic. It didn't happen overnight. We struggled for  
20 seven or eight years before it started breaking even.

21 But when local governments do something, the chief  
22 directive is not for it to make money. Were that true, we  
23 wouldn't have police departments and parks and sidewalks,  
24 none of which derive any revenue.

25 CHAIRWOMAN DIXON: Have you ever considered a

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1 private-public partnership?

2 MR. RAY: Well, we considered it. I go to a lot  
3 of seminars where that is talked about a lot. But every  
4 public-private partnership I have seen means that the public  
5 facilitates the private making more money than they would  
6 have otherwise. I just don't --

7 CHAIRWOMAN DIXON: You need a good mediator,  
8 that's all.

9 MR. RAY: Well, you know, the problem is that to  
10 democratize this -- to answer your question, to get this  
11 rolled out where it is democratized and it is cheap and  
12 available to all, it has to be done. If the government does  
13 it, they have to create the floor level that these services  
14 can be priced at and create this bar for the private sector  
15 to come to and say, you know, here is what we are talking  
16 about.

17 You know, if you charge a realistic profit margin,  
18 there is a way for you to get in there because you are  
19 bigger and smarter and got a lot more lawyers and lobbyists  
20 and all that stuff than we do. So you ought to be able to  
21 figure out a way to be more efficient than we are. So, you  
22 know, we are small and humble and got -- and are tax exempt.  
23 You all are big and smart and got more money than God. That  
24 ought to be a fair fight.

25 (Laughter.)

1 CHAIRWOMAN DIXON: He really let's us know. Go  
2 ahead. Just tell us what you think.

3 CHAIRWOMAN SANFORD: So many things going through  
4 my mind.

5 CHAIRWOMAN DIXON: Mine, too. I mean --

6 CHAIRWOMAN SANFORD: This Friday afternoon --

7 MR. RAY: We will send you a tape of it.

8 CHAIRWOMAN SANFORD: This Friday afternoon  
9 district court proceeding just raises great possibilities  
10 for me.

11 CHAIRWOMAN DIXON: I'm telling you.

12 CHAIRWOMAN SANFORD: Friday afternoon at home in  
13 district court is called "Free the People Day" because of  
14 the need to sort of move some people out so some other  
15 people can come in. And I just think this would have great,  
16 great commercial appeal.

17 MR. RAY: Small claims court is happening in all  
18 your communities. Just most of you are wasting it.

19 (Laughter.)

20 CHAIRWOMAN SANFORD: We are wasting the commercial  
21 potential of that. My question is this and goes -- it goes  
22 to Julia because she -- her comments prompted it, but also  
23 to Joe if he would wish to comment on it. Julia stated the  
24 I think pretty much uncontroverted premise that  
25 governments -- that the free markets should take care of

1 these issues to the extent possible. But if at X point they  
2 have not, then it should be expected that government will  
3 intervene to fit the need.

4 Can you give us some suggested criteria for  
5 assessing when we are at that point, particularly given the  
6 speed with which these services advance all sorts of causes,  
7 economic and educational and given the concern by government  
8 that delays would have been moderate if we were talking  
9 about highway deployment could be devastating if we are  
10 talking about deployment of this kind of technology?

11 So to condense my question, how do you know when  
12 it is the right time for government to play a role in terms  
13 of intervention?

14 MS. JOHNSON: I think that is an excellent  
15 question and it is a very difficult answer because we are  
16 looking at -- when you are talking about penetrating new  
17 markets, some have advocated that you do some sort of a  
18 percentage of penetration test. But then you have the other  
19 issues that I know Chairman Dixon has raised with respect  
20 to, okay, what if certain segments of the markets are being  
21 penetrated and others are not.

22 I cannot delineate those kind of standards for you  
23 right now. But I do think -- and there are two questions  
24 here, well -- particularly for a regulator because we always  
25 want standards to help prompt us as to when to act and when

1 not to act. And we like to be proactive. And this is an  
2 interesting question and a very interesting balance. Do you  
3 wait and see? And what is the risk of wait and see?  
4 Because you will know because people will let you know. Or  
5 do you try to set up a proactive approach to handle the  
6 issue?

7 And right now given the fact that the deployment  
8 of advanced technology, though it is happening, it is still  
9 in its infancy, I would defer to wait and see. And I'll  
10 tell you why. I know you said the technology is so  
11 important and so critical to us. And that is the problem  
12 why I would wait and see. Because if you shackle those that  
13 are providing with too many regulatory barriers, it is not  
14 going to get there at all.

15 So I think we should watch the technology closely,  
16 perhaps working with staff members to determine some sort of  
17 criteria, perhaps through this process determining what kind  
18 of monitoring criteria should be in place, but that we try  
19 to allow this market to work in a way that will demonstrate  
20 to us whether or not penetration is occurring and not spend  
21 all of our time focusing on a criteria, but focusing on some  
22 of those incentives, focusing on how we can help create  
23 markets where markets do not exist. Whether it is through  
24 incentives, whether it is through aggregation, those kind of  
25 things.

1 CHAIRWOMAN SANFORD: But those are government --  
2 those can be government interventions.

3 MS. JOHNSON: Yes.

4 CHAIRWOMAN SANFORD: And you would describe those  
5 as positive ones that would not want to wait for some time  
6 in the future.

7 MS. JOHNSON: Exactly. I think that those should  
8 occur now. Even as I look at Florida and some of the things  
9 that we are trying to do, Governor Bush and his  
10 transformation of state government. A lot of the focus  
11 there will be on providing applications that will be  
12 incentives for users to get on-line and to use those  
13 systems, encouraging the kind of things that will make a  
14 market work because we all recognize that in rural areas, an  
15 open market wouldn't necessarily go there first.

16 So how can we come up with methodologies and  
17 programs that would encourage the private sector to make  
18 those investments in those areas would be good.

19 CHAIRWOMAN SANFORD: -- an enormous anchor tenant.

20 MS. JOHNSON: Exactly. And that is one of the  
21 things that we are trying to do in the state of Florida, is  
22 to bring government forward for two reasons. 1) They create  
23 the demand. And 2) certain government services we all use,  
24 we get our licenses. We pay our taxes. If we have  
25 incentive programs where you get a ten-percent discount if



1     you use the on-line service, then you kind of provide people  
2     with the right incentives to use those systems.

3             MR. LACHER: I think Julia Johnson has just  
4     demonstrated why she was one of the best public service  
5     commissioners we have had in Florida.

6             If I could use a couple of analogies, the first  
7     demonstration of cellular phone service I saw was in the  
8     1960s from a trial done in Chicago. It took the regulators  
9     of that era until the mid-1980s to actually issue the  
10    frequencies to bring that product to market.

11            What we need is a vehicle that encourages, goads,  
12    enhances, pushes the industry to get these technologies and  
13    these services out. We do that by things that create  
14    demand. The idea of getting all the schools on the internet  
15    is tremendous. The idea -- I know Governor Bush this year  
16    delivered his budget by giving every legislator a CD ROM as  
17    opposed to a large document.

18            These kinds of things are not just symbolic. The  
19    more we push and encourage the marketplace, the quicker we  
20    will be able to bring these services to people. And  
21    frankly, the issue is -- and what I worry about is if we  
22    start defining the technology that will do it. It will be a  
23    huge mistake.

24            There are those who believe wireless technology  
25    will be the key vehicle in this world. The only thing I am

1 certain of is that if the technology is changing by the  
2 minute, in the meantime, the obsolescence for your computer  
3 is the drive time to your house. We have got to continue to  
4 push as fast as we can.

5 We have got -- at Bell South, we don't segregate  
6 customers by whether they are multi-cultural, urban or rural  
7 communities. We believe they are all our customers and our  
8 goal is to get them all these services as fast as we can at  
9 a price they are willing to pay. And the question is how  
10 fast we can do that, where we can find the technology, and  
11 where we find the ability to serve those markets if there is  
12 demand.

13 COMMISSIONER TRISTANI: I would like to chime in a  
14 moment if I could because -- and I would like to go back to  
15 the law that governs what the FCC does. I am not departing  
16 from my own policy preferences. But there is a section in  
17 the Act, 706, where Congress said, "FCC, you shall encourage  
18 the deployment of broad band, not of internet access, but of  
19 high speed service in a reasonable and timely fashion to all  
20 Americans." They didn't say certain parts of America. They  
21 said all Americans.

22 And then they added in particularly to schools and  
23 classrooms. And we haven't talked too much to high speed  
24 access in the schoolroom. But I want to start with that.  
25 And then they said, "FCC, you shall issue a report. You

1 shall study this. And if it is not being done in a  
2 reasonable and timely fashion, you shall act and do whatever  
3 you can."

4 Now, our first report last year, we said -- and it  
5 was the first time we were grappling with reasonable and  
6 timely. We said we think at the moment it looks reasonable  
7 and timely. I was very reluctant signing onto that report  
8 because in the rural America that I come from in New Mexico,  
9 there wasn't anything reasonable and timely, what was  
10 happening there. But this year, we are working on another  
11 report.

12 But I wanted to stress that because while I am  
13 hearing let the marketplace work, to me this section of the  
14 Act says you better be sure that the marketplace works. And  
15 that is a call that Congress made. So I wanted to tell you,  
16 that is the perspective I am coming from.

17 Having said all of that, I would like to hear a  
18 little bit more about do you have any thoughts on what we  
19 can do for rural America to make that reasonable and timely?

20 MR. VANYI-ROBIN: I think that Julia's comment was  
21 on the mark in respect to the government's effort,  
22 educational effort. Just as at one point in time in this  
23 country, as in other countries, the right to vote was fought  
24 really hard -- people had to fight really hard for the  
25 universal suffrage.

1           And then it was a question of fighting real hard  
2   in educating. And even today in the year 2000, I still see  
3   sometimes on television, MTV or other sources, trying to  
4   explain to 18-year-olds to exercise their right to vote. So  
5   it is a continuous effort of explaining what it means to  
6   vote in universal suffrage just as it should be the same  
7   exercise of what did -- how did this technology of the  
8   internet particularly is changing everybody's lives and how  
9   it can impact a person's life.

10           So in rural areas of America, this effort has to  
11   be translated, perhaps metaphorically, just as you are  
12   trying to communicate to them that they have to exercise  
13   their right to vote. They should understand that their  
14   right to be connected and what they can do on-line, buy  
15   goods, take care of their needs.

16           COMMISSIONER TRISTANI: Well, but if I can tell  
17   you, it is not -- from what I have heard from rural America,  
18   they want to be connected and on-line and fast. The  
19   question is how do you get to those areas where economically  
20   we hear it is not -- you can't do it. I mean, do we use the  
21   Glasgow model?

22           MR. VANYI-ROBIN: Yes.

23           COMMISSIONER TRISTANI: What -- but I am not  
24   hearing -- those people out there want to be connected. And  
25   in my New Mexico, I hear from people from all parts of the

1 state, and I mean connected to the high speed, the high  
2 speed.

3 MR. LACHER: My suggestion would be that the more  
4 that we can do to encourage the manufacturers of equipment -  
5 - this Houma trial is spectacular if it works out like we  
6 hope it will. We are not the manufacturers of those  
7 facilities though. We are constantly talking to vendors  
8 about what sort of equipment, what sort of prices they can  
9 give us for serving those markets.

10 And the definition of "rural" gets a little  
11 challenging because you were telling me something about some  
12 Indian reservations in the west that are dramatically  
13 different than any of the rural areas that I serve. What we  
14 need is the ability to get technology to those markets.  
15 Those people have as much need for broad band, high speed  
16 services as anybody. The question is how do we do it.

17 And if you have got a community of 50 people who  
18 are 60 or 70 miles from anyone else, what is the technology  
19 that is going to get there? There are a whole series of  
20 promising issues coming out of the labs of the various  
21 manufacturers. I think we had someone from Northern up here  
22 earlier today and Lucent and all of the various players in  
23 that marketplace are bringing wonderful technologies to  
24 place.

25 What we need to do is get out and support trials

1     like we are doing in Houma and other rural areas. And to  
2     the degree that you can encourage -- ask these vendors to  
3     put on presentations, help sponsor these trials, I don't --  
4     that will lead to the service. If the only solution is to  
5     run a fiberoptic line 200,000 kilofeet to get there, it is  
6     not going to be economical. We have got to find ways to do  
7     it cheaper.

8                 MR. VANYI-ROBIN: When you meant rural, did you  
9     also mean inter-cities because --

10                COMMISSIONER TRISTANI: No, I was concentrating  
11    this particular question on rural, although inter-cities  
12    is -- I mean, my charge is to all Americans wherever they  
13    may be.

14                MR. VANYI-ROBIN: I see, because I do think that  
15    perhaps good education efforts in inter-cities as well would  
16    be --

17                COMMISSIONER TRISTANI: Oh, I'm sure it is  
18    absolutely needed. I am just saying in rural America --

19                CHAIRWOMAN DIXON: We have to wrap up because our  
20    time is coming to a close. But just a couple of little  
21    observations. I like the thought of having computers at the  
22    home where you put the bill -- you make it a part of the  
23    telephone bill and allow them to pay. I want to put that on  
24    your mind, Bell South. You ought to think about that.

25                I remembered that an electric company did it with

1 hot water heaters. And it actually worked because they  
2 spread out the costs, cost of wiring and cost of computers.  
3 That is one way that we can assure people are getting the  
4 equipment.

5 The other thing is on the Kentucky situation, not  
6 only do I empathize with you, but I think that is a great  
7 idea. We were somewhere in the west. I think it was  
8 Washington, the Alaska trip where we saw several examples of  
9 local governments actually working. But many of them had  
10 hooked up with private sector because they couldn't afford  
11 certain things or they didn't have certain technology.

12 I applaud you for actually getting Kentucky under  
13 wraps and doing that. And we will be looking more and more  
14 at it. I will be talking to my Congress people about, what  
15 do I say, let people go, let the cities, let municipalities  
16 go. I actually have a couple of them in Louisiana that are  
17 rearing to go and do telephone and electric service.

18 I really want to thank this panel. I think that  
19 you have provoked our thoughts. The problem is our time ran  
20 out. But we have so much more to ask you. So please stick  
21 around. We are asking that the next panel come on up so  
22 that we can expedite the transition. Thank you.

23 (Applause.)

24 CHAIRWOMAN SANFORD: I assume we are ready to  
25 begin with our third panel of the morning. I am Jo Anne

1 Sanford with the North Carolina Utilities Commission. And I  
2 want to welcome the panel on public-private partnerships.

3 It would be a lot of fun to introduce all of these  
4 people individually and to point out to you in some detail  
5 the credentials and the experience that brings them here.  
6 In the interest of time, we are going to rely on these very  
7 good bios that are in our written material.

8 But I will go down the row here to give you a  
9 brief identification of who we have. I am, of course,  
10 extremely and personally very proud to introduce to you the  
11 Secretary of Commerce from the great state of North Carolina  
12 who is Rick Carlisle. We are very pleased to have him here  
13 today. And I am extremely excited about some of the news  
14 that Rick has for you because it reflects some very, very  
15 good news back in my home state.

16 We have Winston Pierce with the Florida Department  
17 of Management Services. Winston is the Chief of the Bureau  
18 of Hardware and Infrastructure. Jeff Kline with Accris  
19 Corporation -- am I saying that correctly?

20 MR. KLINE: That is correct.

21 CHAIRWOMAN SANFORD: -- is here to speak to us  
22 about Florida Internet Coast and a variety of other matters.  
23 Lorine Card, Director of Congressional Affairs with MediaOne  
24 Group is here, as is Peggy Rudd who brings a great deal of  
25 experience in working with state library systems in Texas